

**MEETING OF THE MASSACHUSETTS  
CLEAN WATER TRUST  
BOARD OF TRUSTEES**

April 6, 2016  
1:30 PM

Conference Room  
3 Center Plaza, Suite 430  
Boston, Massachusetts

**Minutes**

**Attendees:** Commissioner Suuberg, Massachusetts Department of Environmental Protection  
James A. MacDonald, First Deputy Treasurer  
Rachel Madden, Executive Office for Administration and Finance Designee

**Also Present:** Maureen Godsey Valente, Deputy Treasurer  
Sue Perez, Executive Director, MCWT  
Steven McCurdy, Director of Municipal Services, MassDEP  
Nathaniel Keenan, Deputy Director, MCWT  
Bernard Greene, Senior Legal Counsel, MCWT  
My Tran, Treasurer, MCWT  
Sally Peacock, Controller, MCWT  
Shahrima Hussain, Accountant, MCWT  
Pamela Booker, Accountant, MCWT  
William Kalivas, Treasury Specialist, MCWT  
Heather Saxelby O'Donnell, Program Specialist, MCWT  
Chandra Allard, Director of Communications, Office of the State Treasurer & Receiver General  
Shawn Collins, Legislative Director, Office of the State Treasurer & Receiver General

**CALL TO ORDER:** The meeting was called to order at 1:35 PM by James MacDonald.

Item #1

**MOTION- VOTE**

The motion was made by Rachel Madden, seconded by Commissioner Suuberg and voted unanimously in favor of acceptance and approval of the minutes of the meeting held on March 9, 2016.

Item #2

**REPORT OF THE EXECUTIVE COMMITTEE**

Ms. Perez reported on the following:

1. The annual meeting will be scheduled soon. The Trust staff will be sending out emails in order to coordinate schedules as the ex officio member of the Board of Trustees are required to attend the annual meeting. KPMG will attend the meeting and provide their annual report.
2. The Single Audit was filed on March 31<sup>st</sup> and met the filing deadline. There was one finding on the 2015 audit, pertaining to MWRA's receipt of federal funds from the Trust. Invoices submitted by MWRA were too old for appropriate allocation of federal funds. Going forward, MassDEP will inquire about the date that the expenses on submitted invoices are within the relevant grant period. KPMG has accepted this plan.
3. Mr. McCurdy reported that regulations relating to the Water Infrastructure Bill have gone out for public comment. There will be a public hearing regarding the regulations on Thursday, April 14<sup>th</sup>. The final regulations are due on April 25<sup>th</sup>. MassDEP will review testimony after the hearing and determine if any changes need to be made. Mr. McCurdy indicated that no comments have been received. Ms. Madden asked whether the regulations were sent out to stakeholders for comment. Mr. McCurdy stated that MassDEP has a robust list of stakeholders who did receive the regulations.
4. The Trust's attorneys have been working on a form for the Contract Assistance draw down. Currently Contract Assistance can be taken only as a part of a bond deal. The Trust will coordinate with Ms. Madden to finalize the form. Ms. Perez currently has the final draft for review.
5. The Executive Committee discussed the issue of lead pipes in schools at its last meeting.

Item #3

**PRESENTATION OF THE CALENDAR YEAR 2015 INVESTMENT REPORT**

Mr. Keenan reported on the following:

1. The Trust maintained a conservative investment approach in accordance with its Investment Policy, in guaranteed investment contracts (GICs), cash equivalents (MMDT Cash Portfolio) and Treasury and Agency Securities.
2. Guaranteed investment contracts have decreased since 2014, primarily due to the scheduled deallocation of debt service reserve funds that were released as bonds matured. Of the investments in GICs, 83% of the investments were rated AA or better by Standard and Poor's. Ms. Tran noted that the BBB+ Citigroup GIC has collateral in Treasuries and Agency Securities because of its lower rating, which is a requirement of the Trust's Investment Policy. Mr. McCurdy asked if there has been a reduction in percentage of investment in GICs due to pledging loans. Mr. Keenan said that there has been a reduction and that pledging loans allows the Trust to make

more loans as well.

3. The Trust had 21% of its investable assets in Treasuries and Agencies. This is a decrease since 2014 due to deallocation of debt service reserve funds.
4. The Trust invested \$413.6 million in the MMDT Cash Portfolio. These funds are used for project disbursements and will vary depending on where the Trust is in the cycle of repayments and when a bond sale has occurred.
5. The Trust invested \$92 million in the MMDT Short Term Bond Fund. Mr. MacDonald noted that the Short Term Bond Fund's purpose is to have a place to invest funds that are not needed for years. Funds can be taken out, but the expectation is that funds will remain in the fund for 3 to 5 years. Mr. McCurdy asked whether the administrative fund is in the short term bond fund. Ms. Perez said that the administrative fund is invested in the Short Term Bond Fund, but it is listed as the administrative fund in the Trust's records. This simply reflects the bank account that the Trust has the fund in.

Item #4

**DISCUSSION OF POTENTIAL ROLE FOR TRUST IN ADDRESSING  
LEAD PIPE IN SCHOOL ISSUE**

Commissioner Suuberg reported on the following:

1. It is very timely to discuss lead pipes in schools. Commissioner Suuberg has been looking forward to the discussion and opportunity to combine resources. Mr. MacDonald thanked the Commissioner for attending the meeting. Ms. Perez noted that she has seen headlines relating to lead pipes. Initially the Trust looked at the issue from the perspective of residents. Assisting schools could be a no-brainer, as the Trust already lends to cities and towns. Schools must make changes particularly because lead poses a greater risk for children. The need is more immediate for schools than residents. Ms. Perez asked if testing needs to be funded.
2. MassDEP has the ability to require public water systems to test for the presence of lead in water. This can be required every 6 months, up to every 3 years depending on previous results. Corrosion control can reduce the acidity of water, which in turn reduces the amount of lead leaching in from pipes. If lead is found in water, 7% of the lead service lines must be replaced per year until improvements in water quality are detected. When public water systems are tested, two schools connected to a system are generally tested per sampling round. This requirement is unique in Massachusetts and is more thorough than many other states. If a school is connected to a public water system, no additional testing is required, however it is encouraged. The Federal Lead Contamination Control Act of 1988 ensured that lead pipes were not used in new buildings.
3. MassDEP does a survey of schools every 5 years relating to lead, primarily in water fountains. January, 2016 was the deadline for the most recent surveys. The surveys are voluntary, so MassDEP has to work to encourage completion of the surveys. MassDEP sends the survey out to approximately 3,500 primary and secondary schools and 3,500 daycare centers. Some schools have proactive staff that are familiar with water testing procedures. They know which lab facilities to use. Other schools need help and may not know how to take samples. MassDEP would like to develop a methodology for sampling. Generally, 10 samples are taken around each school. Each sample costs \$30, so for two schools, the cost is \$600. Sometimes

samples need to be repeated. When a new fountain is installed, but there is still lead in a sample, water lines may need to be replaced. Capital improvements, like lead pipe replacement can be small or up to \$100,000. The Trust must examine what capacity it will be able to handle in addressing this issue.

4. Boston Public Schools have been tested and there is a fair amount of data about the quality of water in those schools. John Sullivan of the Boston Water and Sewer Commission has been active at the Boston Public Schools.
5. Mr. MacDonald asked if most schools built prior to 1988 have lead. Commissioner Suuberg responded that most cities and towns have lead pipes and some are in schools. Ms. Valente noted that the Massachusetts School Building Authority (MSBA) is doing a review of existing schools that will be done in the next 12 months. MSBA has a database of 1,800 schools that are monitored. MSBA does have data from 2010 and knows which schools have been renovated since then.
6. Ms. Perez asked if MassDEP has a database. Commissioner Suuberg stated that the survey results due in January, 2016 will help build an inventory of what exists. Ms. Valente noted that the Department of Education may have more data, so it would be helpful to meet with their staff. Ms. Valente asked whether municipalities' Boards of Health have any role in testing water or if they receive data once samples are taken. Commissioner Suuberg said that no data is shared with local Boards of Health, but MassDEP does partner with the Commonwealth's Department of Public Health (DPH). DPH has a good database which indicates where high lead levels are. However, the collection of the data is left to MassDEP under the federal Drinking Water Act.
7. Mr. MacDonald asked whether it would be possible to contract regionally to have all school districts tests at once. More testing would occur if schools were not responsible for the entire cost. A statewide or regional contract could be issued through the Trust. Commissioner Suuberg said that under a statewide or regional contract, perhaps 5 labs could be chosen that the schools could use. MassDEP has working knowledge of which environmental consultants would be helpful in addition to a partnership with the University of Massachusetts. Mr. MacDonald asked if MassDEP would have the capacity to manage a regional contract. Mr. Suuberg indicated that MassDEP is planning to designate an employee to work on the lead pipe issue in the future.
8. Ms. Perez asked how procurements have been coordinated in the past. What would the Trust need to provide? She asked how many communities have needs. What is the magnitude? What is the priority? How much does the Trust need to set aside for this issue?
9. Mr. McCurdy stated that funds would most likely be designated in the 2017 IUP for these types of projects. Ms. Perez indicated that the 2017 IUP will also authorize additional subsidies, so the time would be good for the addition of funding for lead pipes. Water testing is an allowable cost through the administrative fund. Ms Perez also noted that water quality is not tested when daycares are licensed, as long as they are hooked up to the public water system, which is already tested. Mr. MacDonald noted that Treasurer Goldberg is aware of the issue of lead being present in school water supplies. She has an interest in addressing the issue. He noted that it is within the charter of the Trust to ensure that drinking water is clean. He further noted that

the lead in public schools is a statewide issue. The water quality testing would not be huge in terms of dollar amount, but it would be huge in terms of the volume of work that would need to be done.

10. Commissioner Suuberg stated that following the meeting, it would be necessary to outline next steps and to determine what costs would be. Ms. Valente asked if MassDEP would have the capacity to analyze data quickly. Commissioner Suuberg noted that the EPA has been promising a state-of-the-art drinking water data system that will allow MassDEP to gather data and analyze it using one program. However, the implementation of the system is now being delayed for two more years. MassDEP uses paper reports, which makes analyzing data more difficult. He said he would talk to MassDEP's data staff to see if data could be formatted in a way that could coordinate with the data available from MSBA.

Item #4

**MOTION- VOTE**

The motion was made by Rachel Madden, seconded by Commissioner Suuberg and **voted unanimously in favor** of acceptance of the following:

*Clean Water Commitments*

<b><u>Project/PAC No.</u></b>	<b><u>Borrower</u></b>	<b><u>Loan/LGO Amount</u></b>	<b><u>Equivalent Interest Rate</u></b>
CW-16-02	Bellingham	\$300,000	2%
CW-15-17	Boston Water & Sewer Commission	\$17,997,000 <sup>1</sup>	2%

Item #5

**MOTION- VOTE**

The motion was made by Rachel Madden, seconded by Commissioner Suuberg and **voted unanimously in favor** of acceptance of the following:

*Clean Water Loans/Local Government Obligations and Financing Agreements*

<b><u>Project/PAC No.</u></b>	<b><u>Borrower</u></b>	<b><u>Loan/LGO Amount</u></b>	<b><u>Equivalent Interest Rate</u></b>
CWT-16-02	Bellingham	\$300,000	2%
CW-15-18	Revere	\$1,700,000	2%

**OTHER BUSINESS:** None

**ADJOURN:** Seeing no other business, at 2:27 PM, the motion to adjourn was made by Mr. MacDonald, seconded by Ms. Madden and voted unanimously in favor.

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<sup>1</sup>First Revision. Original PAC amount was \$16,991,000.